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### Flood Insurance

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## Flood Insurance

National Flood Insurance Program

### Flood: Are You Protected from the Next Disaster?

Devastating floods occur throughout the U.S. every year. Changing weather patterns, coupled with over-development and leveling of forests that reduce the land's natural ability to absorb water, are increasing the flood risk for many... even those who don't live near water.

Flooding causes more than \$2 billion in property damage each year, and losses due to flooding are not covered under most homeowners or business policies. However, flood insurance is available to protect homes and businesses and their contents in communities that participate in the National Flood Insurance Program (NFIP).

### Flooding is a National Problem

Until the late 1960s, most property owners were unable to get insurance coverage against flood damage. Private insurance firms, aware of the potential for catastrophic losses, were unwilling to assume the financial risk alone. This put the burden on taxpayers to provide costly disaster relief to a growing number of flood victims.

In 1968, Congress addressed this issue by creating the NFIP. This Federal program provides flood insurance at a reasonable cost in exchange for the careful management of flood-prone areas by local communities.

Today, the NFIP insures more than 4 million policyholders in about 20,000 communities across the U.S. It is administered by the Federal Emergency Management Agency (FEMA).

### Facts You Should Know

1. There is a 26% chance of experiencing a flood during the life of a 30-year mortgage compared to a 4% chance of a fire.
2. Find out if you are located in a floodplain, which is considered a Special Flood Hazard Area. If you are, you are still eligible for flood insurance. In fact, in some cases, you may be required by law to have flood insurance. Your city or county government (start with the Building or Planning Department) has Flood Insurance Rate Maps, published by FEMA, which are available for public inspection. If your building is located in a flood zone that begins with the letter A or V, you are in a Special Flood Hazard Area.

3. The average premium is approximately \$400 per year depending on where you live and the coverage you choose.
4. In low-to-moderate risk areas, coverage can be purchased for just over \$100 a year.
5. Buy as much flood coverage as you can. Primary residences insured for 80% of their value, or the maximum amounts available, get replacement cost coverage. It pays the amount needed to repair or replace most of the building elements up to the policy limits, without deduction for depreciation, once repairs are made.
6. There is a 30-day waiting period from the time a policy is purchased until you are covered, with the following exceptions:

*There is no waiting period* if you have an existing flood insurance policy and an additional amount of flood insurance is required with the making, increasing, extending or renewing of a loan, such as a second mortgage, home equity loan, or refinancing. Coverage is effective immediately, as long as the premium is presented at or prior to loan closing.

*There is no waiting period* when flood insurance is required as a result of a lender determining that a loan which does not have flood insurance should be protected by flood insurance. Coverage is effective immediately, as long as the premium is presented at the completion of a loan application.

*There is a one-day waiting period* when an additional amount of insurance is required as a result of a map revision. This applies when the map revision is from a non-Special Flood Hazard Area to a Special Flood Hazard Area and only if the endorsement is received within 13 months following the map revision. The increased amount of coverage will be available 24 hours after the amount of coverage is applied for and the additional premium is made.
7. Flood insurance is required by law in some instances. To get Federally secured financing to buy, refinance, build, repair, reconstruct or improve structures in Special Flood Hazard Areas, you may be required to purchase flood insurance. This includes most types of mortgage loans, as well as FHA and VA loans.
8. A flood insurance policy also reimburses you for actions you take to prevent flood damage. For example, costs for moving insured contents, in imminent danger of flooding, to a safe location are reimbursed up to \$1,000 with no deductible. Other costs, such as for sandbags, plastic sheeting and lumber, pumps, fill for temporary levees, and wood to save the building can be reimbursed up to a limit of \$1,000 with no deductible.

For more information about the NFIP and flood insurance, contact your insurance company or agent, or call the NFIP at **1-888-CALL-FLOOD, TDD# 1-800-427-5593**.

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FEMA 500 C Street, SW Washington, D.C. 20472 Phone: (202) 566-1600